

# **EXHIBIT C**

1 UNITED STATES DISTRICT COURT

2 FOR THE

3 DISTRICT OF MASSACHUSETTS

4 LEXINGTON INSURANCE COMPANY )

5 AND NATIONAL UNION FIRE )

6 INSURANCE COMPANY OF ) No. 04-11109 RGS

7 PITTSBURGH, )

8 Plaintiffs, )

9 vs. )

10 VIRGINIA SURETY COMPANY, )

11 INC., )

12 Defendant. )

COPY

13 The deposition of JOHN GORING, called for  
14 examination, taken pursuant to the Federal Rules of  
15 Civil Procedure of the United States District Courts  
16 pertaining to the taking of depositions, taken  
17 before JENNIFER L. BERNIER, CSR No. 84-4190, a  
18 Notary Public within and for the County of Cook,  
19 State of Illinois, and a Certified Shorthand  
20 Reporter of said state, at Suite 800, 200 East  
21 Randolph Street, Chicago, Illinois, on the 14th day  
22 of July, A.D. 2006, at 10:58 a.m.

23

24 Job No. 191493B

1 A. We can.

2 MR. STEPHAN: I'm sorry. I don't mean to  
3 interrupt.

4 Can we agree to Endorsement 27 so that  
5 we're consistent with the term that we used in  
6 Mr. Baliga's deposition?

7 BY MR. MASELEK:

8 Q. Would you agree with that, sir?

9 A. That's fine.

10 Q. You said that you were familiar with that  
11 form?

12 A. I am.

13 Q. Give me one moment.

14 If you look at the first page of the  
15 endorsement, under the heading, "Supplementary  
16 Payments-Coverages," after the seventh item, it  
17 reads, "These payments will reduce the limits of  
18 insurance," correct?

19 A. Yes.

20 Q. To your understanding, what is the intent  
21 of adding this endorsement to the policy?

22 MR. STEPHAN: Objection.

23 BY THE WITNESS:

24 A. That would amend the general liability

1 coverage part to include those seven things within  
2 the limits.

3 BY MR. MASELEK:

4 Q. Okay. So if this form were made part of  
5 an NPS program policy, for that policy, defense  
6 costs would erode the limits of insurance; is that  
7 correct?

8 A. That's what this form would say, yes.

9 Q. To your knowledge, was this form used on  
10 any NPS program policies?

11 A. It was not used.

12 Q. It was not used by NPS, correct?

13 A. It was not used by NPS, nor Virginia  
14 Surety in their role after NPS went away.

15 Q. Okay. So to your knowledge, all of the  
16 NPS program policies -- whether issued by NPS or  
17 Virginia Surety, itself -- excluded defense costs  
18 from the limit of liability?

19 MR. STEPHAN: Objection. You're referring to  
20 the policies written on Virginia Surety paper?

21 MR. MASELEK: Both. Yes, I'm sorry. Yes.

22 BY THE WITNESS:

23 A. Well, you asked it in sort of a  
24 roundabout way.

1 I would answer you by saying this form  
2 was not part of any of the NPS policies, either  
3 issued in New Jersey or in Fort Wayne.

4 BY MR. MASELEK:

5 Q. And are you aware of any other forms that  
6 may have been endorsed to any NPS program policies  
7 issued, on behalf of Virginia Surety, that would  
8 have made defense costs be included within the limit  
9 of liability?

10 A. There were none to my knowledge.

11 Q. Okay. To your knowledge, did the  
12 Virginia Surety policies provide first-dollar  
13 defense coverage?

14 A. First-dollar defense coverage?

15 Q. Do you know what I mean by that?

16 A. Why don't you explain that?

17 Q. To your knowledge, were there any  
18 deductibles or self-insured retentions issued to any  
19 insureds by NPS under the program?

20 A. You're sort of asking a different  
21 question now.

22 Q. Yes. Actually, I did.

23 A. With respect to the Virginia Surety  
24 policies, there were no deductibles or self-insured

1 retentions.

2           Now, obviously, I am aware that there  
3 were AIG policies written that had that, but not  
4 Virginia Surety policies.

5           Q.     Right. And unless I indicate otherwise  
6 today, if I refer to "the program policies," I'm  
7 only referring to the ones issued on behalf of  
8 Virginia Surety.

9           A.     Okay.

10          Q.     Do you know if NPS issued any policies on  
11 behalf of National Union?

12          A.     I don't know if NPS issued them or they  
13 were issued by National Union. I know that there  
14 were such things. Who actually issued them, I'm not  
15 aware of.

16          Q.     Okay. To your knowledge, was  
17 Endorsement 27 approved for use in any states?

18          A.     To my knowledge, it was not; and,  
19 therefore, it was not used.

20          Q.     I guess, to your knowledge, do you have  
21 an understanding as to why Endorsement 27 was not  
22 used?

23          A.     Because it was not approved by the  
24 states.

1 MR. STEPHAN: Objection.

2 BY THE WITNESS:

3 A. We did not.

4 BY MR. MASELEK:

5 Q. Have you ever spoken with Mr. Gruppuso?

6 A. Yes.

7 Q. And when was that?

8 A. That was prior to my employment with  
9 Virginia Surety. Because ever since I had been  
10 employed by Virginia Surety, NPS has failed to  
11 exist.

12 Q. Okay. Did you have business dealings  
13 with Mr. Gruppuso in your prior employment?

14 A. Yes.

15 Q. Okay. And when was that?

16 A. Well, of course, I can't remember the  
17 exact day. But that would have been between --  
18 let's see -- in 2000 or 2001, sometime, I guess.

19 Q. Okay. And what was the nature of your  
20 contact with Mr. Gruppuso?

21 A. I was employed, as I mentioned to you  
22 before, by Interstate Insurance Group, who -- which,  
23 I guess, was the carrier for the NPS program prior  
24 to Virginia Surety.

1 Q. Is Interstate related to Chicago  
2 Insurance at all?

3 A. Chicago Insurance Company is one of the  
4 underwriting companies in the Interstate Insurance  
5 Company Group. So, yes, it is.

6 Q. Are you familiar with an entity called  
7 Coverage Services Group?

8 A. No.

9 Q. Were you involved in the NPS program  
10 while employed by Interstate?

11 A. Yes.

12 MR. STEPHAN: Objection.

13 BY THE WITNESS:

14 A. I'm sorry.

15 MR. STEPHAN: We've been using the NPS program  
16 to refer to the program that existed in which  
17 Virginia Surety and the AIG companies were involved  
18 in. So we should, perhaps, clarify.

19 BY MR. MASELEK:

20 Q. What was your understanding of the NPS  
21 program as it existed when Interstate was involved?

22 A. What was my understanding of the program?

23 Q. Right.

24 A. I'm not sure what you're getting at.



1 Q. Well, what was Interstate's role?

2 A. Interstate was the insuring company for  
3 National Program Services at that time.

4 Q. Do you know if AIMCO was part of the  
5 program at that time?

6 A. It was.

7 Q. Okay. What was the limit of liability of  
8 the Interstate policies?

9 A. 1 million.

10 Q. Okay. So it was different from the  
11 situation that Virginia Surety was involved in; is  
12 that correct?

13 A. Right.

14 Q. And was there any deductible or  
15 self-insured retention to the policies?

16 A. No.

17 Q. Do you have an understanding as to why  
18 NPS stopped doing business with Interstate?

19 A. Interstate terminated the program.

20 Q. Okay. And why did Interstate terminate  
21 the program?

22 A. They were not satisfied with the way it  
23 was being handled or something. I really -- even  
24 though I handled that, that decision was made by